OUR HISTORY

We were established on January 1, 1984 as a state-owned specialized bank to assume all commercial banking functions of the PBOC following its official designation as China's central bank. See "Banking Industry in China—History and Development."

Since our establishment, we have evolved from a state-owned specialized bank to a state-owned commercial bank, and subsequently a joint-stock commercial bank.

From 1984 to 1993, we operated as a state-owned specialized bank. During this period, we expanded our operations and distribution network, strengthened our financial accounting and management systems and increased our focus on profitability and risk management.

We became a state-owned commercial bank in 1994 following establishment of the three policy banks that assumed substantially all policy lending functions of the state-owned specialized banks, which later became the Big Four commercial banks. From 1994 to 2004, we made significant improvements in many aspects of our operations to bring our business practices in line with those of a modern commercial bank, such as enhancing our capital base, operational performance, asset quality, risk management, information technology, internal controls, organizational structure, business processes and management transparency.

During the past decade, the PRC government has undertaken a number of initiatives to strengthen the capital base and asset quality of state-owned commercial banks. The MOF issued a RMB85.0 billion, 30-year special government bond to us and used the proceeds as a capital contribution to us in 1998, as part of the government's effort to improve the capital adequacy of the Big Four commercial banks. In 1999 and 2000, we transferred non-performing assets in the aggregate amount of RMB407.7 billion at book value to Huarong. As consideration for the transfer, we received RMB94.7 billion in cash and non-transferable ten-year bonds issued by Huarong with an aggregate face value of RMB313.0 billion during the period from 1999 to 2001.

As part of a more recent restructuring of China's banking sector, Huijin made a capital contribution of US$15.0 billion to us in April 2005, and the MOF retained RMB124.0 billion of our then existing capital. Our legal status changed from a state-owned commercial bank to a joint-stock limited company on October 28, 2005. In April 2006, The Goldman Sachs Group, Inc., Allianz Group (through its wholly owned subsidiary, Dresdner Bank Luxembourg S.A.), and American Express Company acquired equity stakes in us, which represented 5.75%, 2.25% and 0.45%, respectively, of our outstanding shares at the Latest Practicable Date. In June 2006, the SSF also made an investment in us through the acquisition of an equity stake, which represented 4.9996% of our outstanding shares at the Latest Practicable Date.

FINANCIAL RESTRUCTURING

As part of our financial restructuring in 2005 (i) the MOF retained RMB124.0 billion of our then existing capital, (ii) Huijin made a capital contribution of US$15.0 billion to us, (iii) we disposed of certain non-performing assets in an aggregate amount of RMB705.0 billion at book value, (iv) the government contributed certain land use rights to us, and (v) the MOF amended the terms of a special government bond issued by it to us.

Our Capital Retained by the MOF

As part of our financial restructuring in 2005, the MOF retained RMB124.0 billion of our then existing capital.

Huijin Capital Contribution

On April 22, 2005, Huijin made a capital contribution of US$15.0 billion to us in cash, which is generally referred to as the "Huijin capital contribution" in this prospectus.

Disposal of Non-performing Assets

On May 27, 2005, we disposed of non-performing loans classified under the loss category in an aggregate amount of RMB176.0 billion and other impaired assets in an aggregate amount of RMB70.0 billion at book value, before allowance for impairment losses, to the MOF on a non-recourse basis. The MOF designated Huarong to hold these non-performing loans and assets. In this section, we refer to these loans and assets as the "assets under loss category." These assets under loss category were transferred on a non-recourse basis at book value. In connection with the disposal, we recorded a receivable from the MOF in the amount of RMB246.0 billion. Interest is payable on the outstanding balance of the MOF receivable at an annual rate of 3.0% from June 21, 2005.

Together with the MOF, we set up a jointly managed fund to repay to us over five years the principal of and interest accrued on the MOF receivable. It was agreed that the funding sources for the jointly managed fund may consist of: (i) all corporate income taxes payable by us during the period that the jointly managed fund remains outstanding, (ii) all cash dividends payable by us to the MOF during the period that the jointly managed fund remains outstanding, (iii) the net cash proceeds, which are designated for the purposes of making relevant payments to us, recovered by the MOF from disposals of the assets under loss category in accordance with the disposal arrangements for non-performing assets, (iv) the portion of sales proceeds, which are designated for the use of the jointly managed fund, received by the MOF from the sales of our shares held by it, (v) other funds allocated by the MOF, and (vi) any interest income arising from outstanding funds in the jointly managed account. The fund is owned by the MOF, but the MOF has agreed that we are entitled to request the MOF to allocate these specific sources of fund into this account and to make payment to us in a timely manner. We are also obligated to report the payment status and balance of the jointly managed fund to the MOF on a periodic basis. The MOF has agreed not to withdraw any amount from this jointly managed fund for any uses other than making payments for the MOF receivable and related expenses until the MOF receivable is repaid in full. If the jointly managed fund is insufficient to repay the outstanding principal of and accrued interest on the MOF receivable by June 20, 2010, the MOF will provide funding support to ensure full repayment of the MOF receivable in a timely manner.

On June 27, 2005, with the approval of and pursuant to the arrangements made by the PBOC and MOF, four asset management companies, Huarong, China Great Wall Asset Management Corporation, China Orient Asset Management Corporation and China Cinda Asset Management Corporation, purchased, on a non-recourse basis, our non-performing loans at book value before allowance for impairment losses, at an aggregate price of RMB459.0 billion. We used RMB430.5 billion of the proceeds received from this disposal as consideration for a five-year special PBOC bill. The special PBOC bill bears interest at an annual rate of 1.89%. This special PBOC bill is not transferable. We have received the PBOC's approval to treat the amount of this special PBOC bill as available for intraday settlement purposes.

Grant of Land Use Rights by the PRC Government

The PRC government contributed, as a capital injection, the land use rights to 10,994 parcels of land formerly allocated to us, with a fair value of approximately RMB19.9 billion at June 30, 2005.

Amendment to the Terms of a Special Government Bond Issued by the MOF

The MOF issued a RMB85.0 billion, 30-year special government bond to us and used the proceeds as a capital contribution to us in 1998. The bond bore an annual interest rate of 7.20%, but we were required to make an annual payment to the government equal to the amount of the annual interest accrued on the bond. Accordingly, the interest on this special government bond was effectively offset by the annual payment and no cash settlement was ever made between the MOF and us. As part of our financial restructuring in 2005 and in accordance with a notice issued by the MOF, we are no longer obligated to make the annual payment and the MOF began to pay interest on the bond at a reduced rate of 2.25% per annum, effective from December 1, 2005.

ISSUANCE OF SUBORDINATED BONDS

To strengthen our capital base, we publicly issued two tranches of 10-year and one tranche of 15-year subordinated bonds with an aggregate principal amount of RMB35.0 billion following our financial restructuring in the second half of 2005 in accordance with approvals issued by the PBOC and CBRC. According to the approvals, we may issue additional subordinated bonds with an aggregate principal amount of up to RMB65.0 billion prior to December 31, 2007. These subordinated bonds currently qualify as supplementary capital pursuant to the relevant CBRC regulations on capital adequacy.

ESTABLISHMENT OF OUR BANK AS A JOINT-STOCK LIMITED COMPANY

We were converted from a state-owned commercial bank to a joint-stock limited company on October 28, 2005, with the MOF and Huijin as our promoters, and our legal name was changed to Industrial and Commercial Bank of China Limited. All of the businesses, assets and liabilities of Industrial and Commercial Bank of China were assumed by Industrial and Commercial Bank of China Limited upon the conversion.

Based on an appraisal conducted in connection with our incorporation, the appraised value of our net assets at June 30, 2005 amounted to RMB256.0 billion. On October 28, 2005, we were incorporated as a joint-stock limited company with a total registered capital of RMB248.0 billion. The difference of RMB8.0 billion, which was related to the government's grant of land use rights to us, was recorded as a payable to the MOF. Upon our incorporation, our total registered capital in the amount of RMB248.0 billion was divided into 248.0 billion shares, with par value of RMB1.00 each, with the MOF and Huijin each receiving 50% of our shares immediately following our incorporation.

STRATEGIC INVESTMENTS

On January 27, 2006, we entered into separate share purchase agreements with three overseas strategic investors, The Goldman Sachs Group, Inc., Allianz Group and American Express Company. On April 28, 2006, Goldman Sachs, Allianz and American Express completed the subscription of our newly issued ordinary shares representing 5.75%, 2.25% and 0.45%, respectively, of our outstanding shares at the Latest Practicable Date.

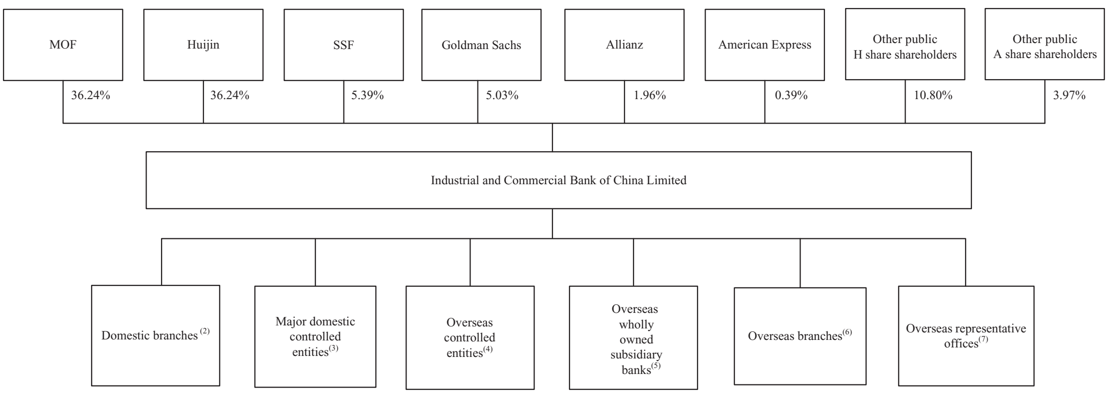
On June 29, 2006, the SSF also subscribed for our newly issued ordinary shares for an aggregate consideration of approximately RMB18.0 billion. The shares acquired by the SSF accounted for 4.9996% of our outstanding shares at the Latest Practicable Date.

As a result of these investments, the ownership stakes of the MOF and Huijin was each reduced to 43.28% of our outstanding shares at the Latest Practicable Date.

See "Our Strategic Investors and Other Investors."

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth our shareholding and group structure upon the completion of the Global Offering and the A Share Offering, assuming that neither of the over-allotment options for the Global Offering and the A Share Offering is exercised[1].



(1) For information regarding our shareholding and group structure immediately following the completion of the Global Offering, without giving effect to the A Share Offering, see "Substantial Shareholders" and "Share Capital."
(2) Includes our head office, 35 tier-1 branches, 412 tier-2 branches, 17,506 sub-branches and outlets and 84 other establishments at June 30, 2006.
(3) Includes ICBC Credit Suisse Asset Management Co., Ltd.
(4) Includes Industrial and Commercial Bank of China (Asia) Limited and ICEA Finance Holdings Limited.
(5) Includes Industrial and Commercial International Capital Limited, ICBC (London) Limited and Industrial and Commercial Bank of China (Almaty) Joint Stock Company.
(6) Includes Singapore, Hong Kong, Macau, Tokyo, Seoul, Busan, Frankfurt and Luxembourg branches.
(7) Includes New York, Moscow and Sydney representative offices.

OPERATIONAL REFORM

We have been taking initiatives to re-engineer our business processes and our operational structure since 1997. We launched a new phase of business process reengineering in the first half of 2006, which has been completed at our head office and is expected to be completed at our branches by the end of 2006. In order to continue our business transformation and promote sustainable growth, our operational reform is currently focused on enhancing our customer services, risk management and operation efficiency. Our recent reengineering and reform efforts are mainly focused on the following areas:

- realigning our customer-facing business units;
- streamlining our operational structure;
- enhancing and centralizing our risk management and internal control functions;
- centralizing our capital and financial management; and
- improving employee incentive schemes.

Realigning Our Customer-facing Business Units

In order to better integrate our internal resources and more effectively align them to our product and service offerings, we have reengineered the business processes in our corporate banking, personal banking and treasury operations. We believe that this will create attractive business opportunities and improve our service offerings to our customers.

In order to improve the competitiveness of our corporate banking business, we have separated the sales and marketing function and customer service function of our corporate department to focus respectively on direct sales to large-scale quality customers and the overall management of all other sales and marketing and customer service functions. In addition, we have strengthened our sales and marketing to small- and medium-enterprises and improved the related credit management processes. In addition, we have consolidated the functions of several departments into a newly established settlement and cash management department to focus on our product development and client service efforts.

In personal banking, we have integrated the sales and marketing team of our personal property mortgage loan business into our personal banking department, which consolidated all of the sales and marketing functions of our personal customer-facing business. In order to enhance cross-selling to our personal customers, we are further integrating our internally-generated personal credit information that supports our personal banking lending decisions. In addition, we have reorganized our distribution network, established standardized customer service processes and procedures and strengthened our team of customer relationship managers and wealth management specialists, which we believe has had a key impact on our efforts to expand high quality customer base, improve financial products sales and services and rationalize distribution channels.

In treasury operations, we have consolidated the trading functions of our treasury department and our international department into a newly established financial markets department. This has created a unified trading platform for our trading of Renminbi- and foreign currency-denominated financial instruments in both domestic and international financial markets. There is a dedicated risk management subdivision in the financial markets department that deals with the risks related to our trading business. This subdivision is separated from our trading operations. We believe this reorganization not only enhances our risk management, but will also help us capture revenue opportunities as financial markets evolve.

Streamlining Our Operational Structure

In recent years, we have commenced a program to rationalize our branch network. As a result, the total number of our domestic branches, outlets and other establishments (including head office) decreased to 18,038 at June 30, 2006 from 41,990 at December 31, 1997. In connection with this initiative, we have also consolidated our previously dispersed operations and the powers of management and decision-making from our lower tier branches to our head office and tier-1 branches, while converting lower tier branches from management units to distribution and customer service outlets.

In addition, we have conducted pilot programs at certain of our branches in recent years to reduce management layers between these branches and their respective distribution outlets. We expect to extend this program to all of our tier-2 branches by the end of 2007. We believe that this program not only improves our risk management and operational efficiency, but also our ability to cross-sell products.

Enhancing and Centralizing Our Risk Management and Internal Control Functions

To enhance our risk management, we have further separated the assessment, approval and management functions in our credit risk management process. In addition, we have established the position of chief risk officer, or CRO, to assist our president in overseeing our risk management and making related decisions. The primary objectives of our risk management reorganization are to establish an integrated and independent risk management system, introduce a culture of risk accountability into our business, and improve the effectiveness of our risk management structure and framework.

To further strengthen our internal control functions, we have divided our internal audit department into two separate departments, which consist of an internal control and compliance department that reports to our president and an internal audit department that reports to the audit committee of our board of directors.

We believe these initiatives have contributed to our making substantial progress in improving the effectiveness of our risk management and internal control. For a discussion of our risk management and internal control, see "Risk Management."

Centralizing Our Capital and Financial Management

In order to improve the allocation, management and return on our economic capital, we have reorganized the departments responsible for our asset and liability management and financial accounting management. We have also reengineered, or are in the process of reengineering, our capital and financial management processes by:

- building an accounting platform that provides management accounting and budgetary information along product and business lines in addition to by geographical regions;
- establishing capital management systems to manage our accounting capital, regulatory capital and economic capital;
- centralizing all funding sources from tier-2 branches to tier-1 branches to rationalize our funding allocations and using internal fund transfer pricing tools to rationalize our asset and liability structure; and
- introducing a comprehensive review system that balances our focus on risks, profits and sustainable growth using performance evaluation tools, such as RAROC and EVA.

Improving Employee Incentive Schemes

In order to establish a market-oriented incentive system, we have adopted a new system that organizes our management based on job functions and value added. In addition, we have established four different career tracks for our employees: managerial, professional, sales and marketing, and operational. We use these career tracks for the purposes of performance evaluations, promotions and compensation.

We intend to further improve our management and employee incentive system, including adopting an EVA-based profit sharing program to align the interests of our shareholders and our employees. See "Business—Employees."